

Introduction

MEMORANDUM

October 26, 2006

TO: County Council

FROM: *CHS*
Charles H. Sherer, Legislative Analyst

SUBJECT: 1. **Expedited Bill 46-06**, Bond Authorization
2. Resolution to consolidate the new bond authorization with all previously authorized general obligation bonds; and
3. Resolution to authorize an increase in bond anticipation notes and to consolidate this new authorization with all previously authorized bond anticipation notes.

Explanation Every year, the Executive sends to the Council the three subject items for approval after the Council approves the Capital Improvements Program in May.

1. The legislation (©1) will increase the amount of bonds the County is authorized to sell by \$315.8 million, the additional amount needed to fund the capital projects the Council approved in May which are funded by County bonds.
2. The first resolution (©4) will consolidate the new bond authorization with all previously authorized bond authorization so that bonds can be sold in one issue, rather than in numerous individual issues representing different types of public facilities and representing different years in which the facilities were approved.
3. The second resolution (©6) will increase the amount of bond anticipation notes the County is authorized to sell by \$270.8 million¹, the additional amount needed to fund the capital projects the Council approved in May which are funded by County bonds. Bond anticipation notes are sold as needed to fund capital projects and then are repaid when the County sells bonds, usually once a year. (The bond **anticipation** notes are sold in **anticipation** of being repaid by a later bond issue.)

¹ This amount is usually the same as the amount in #1. However, for FY07 this amount is less to correct a technical error in FY06 which overstated the increase in bond anticipation notes needed.

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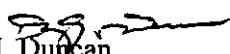
OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Douglas M. Duncan
County Executive

MEMORANDUM

October 20, 2006

TO: George Leventhal, President
Montgomery County Council

FROM: Douglas M. Duncan 
County Executive

SUBJECT: Bond Authorization Legislation - Approved FY 2007 Capital Budget and
Council Resolutions Providing for the Consolidation of Certain Previously Authorized
Bonds and Notes for Sale and Issuance as a Single Issue

The approved Capital Budget for Fiscal Year 2007 provides for certain increased appropriation authority that will require funding initially from Commercial Paper Bond Anticipation Notes, and permanent financing from future County general obligation bond issues.

The Council, therefore, will have to consider the related additional bond authority necessary to fully implement this program. Accordingly, I am transmitting the attached bill providing for additional County bond authorization. This legislation was prepared by the Department of Finance and reviewed by the County's bond counsel Venable LLP. The fiscal impact with respect to the legislation is contained within the approved Operating Budget and consists of the related annual debt service on the Notes and bonds following their ultimate issue.

I am transmitting concurrently the resolutions that consolidate the new authority with all previous general obligation bond authority, and with all previous commercial paper bond anticipation note authority. These "consolidating resolutions" will take effect from the date on which the bond authority becomes effective.

I would appreciate it if you could arrange to have the consolidating resolutions placed on the October 31, 2006 Council Consent Calendar for introduction concurrent with the bond authorization legislation and arrange for them to be adopted when the bond authority bill is approved. A copy of a schedule prepared by the Controller's Office reflecting the composition of the additional bond authority is enclosed for your information. If you have any questions please contact Tim Firestine at extension 78860.

DMD:js

Attachments



LEGISLATIVE REQUEST REPORT

Bill _____

COUNTY BOND AUTHORIZATION LEGISLATION

REQUIRED TO FINANCE FY 2007 APPROVED CAPITAL APPROPRIATIONS

DESCRIPTION:

Legislation to authorize the issuance of various proposed bonds in an amount not to exceed \$315,800,000. These General Obligation Bonds are to be issued upon the full faith and credit of the County.

PROBLEM:

There is insufficient bond authorization in certain categories of CIP expenditures to fully cover the increased appropriation level as approved by the County Council.

GOALS & OBJECTIVES:

The goal is to provide new, additional bond authorization equal to the approved appropriation level which will be financed from future bond issues.

COORDINATION:

This bill does not duplicate or overlap existing law.

FISCAL IMPACT:

Future annual debt service costs are incurred at the time the bonds are actually sold, and are included in the Approved Operating Budget and Annual Appropriations for Debt Service.

EVALUATION:

N/A

EXPERIENCE ELSEWHERE:

N/A

SOURCE OF INFORMATION:

Timothy L. Firestine, Finance Director, 240-777-8888

Expedited Bill No. 46-06, Bond Authorization
Concerning Bond authorization
Revised _____ Draft No. 1
Introduced: October 31, 2006
Enacted _____
Executive _____
Effective _____
Sunset Date None
Ch Laws of Mont Co. _____

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

By: Council President at the request of County Executive

AN EXPEDITED ACT to authorize the County to issue certain bonds.

By adding to the Laws of Montgomery County

Boldface	<i>Heading or defined term.</i>
<u>Underlining</u>	<i>Added to existing law by original bill.</i>
[Single boldface brackets]	<i>Deleted from existing law by original bill.</i>
<u>Double underlining</u>	<i>Added by amendment.</i>
[[Double boldface brackets]]	<i>Deleted from existing law or the bill by amendment.</i>
* * *	<i>Existing law unaffected by bill.</i>

The County Council for Montgomery County, Maryland approves the following Act:

Section 1. The following is added to the Laws of ontgomery County:

The County may at any time and from time to time sell up to \$315,800,000 in general obligation bonds under Chapter 20 for any project included in an approved Capital Improvements Program as follows:

(a) up to \$157,100,000 for public facilities as defined in Section 20-14(a); and

(b) up to \$66,700,000 for public facilities as defined in Section 20-14(b); and

(c) up to \$92,000,000 for public facilities as defined in Section 20-14(c).

Any bonds issued and sold by the County under this Act constitute an irrevocable pledge of the full faith and credit and unlimited taxing power of the County. The proceeds from these bonds may be used to pay the first 6 months' interest on the bonds.

Section 2. Expedited Effective Date.

The Council declares that this legislation is necessary for the immediate protection of the public interest. This Act takes effect on the date on which it becomes law.

Approved:

George Leventhal, President, County Council

Date

Approved:

Douglas M. Duncan, County Executive

Date

This is a correct copy of Council action.

Linda M. Lauer, Clerk of the Council

Date

Resolution No.: _____
Introduced: _____
Adopted: _____

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: County Council

Subject: Consolidation of certain authorized bonds of Montgomery County for sale and issuance as a single issue of bonds to be designated "Montgomery County, Maryland Consolidated Public Improvement Bonds of 2007, Series A"

1. Chapter 668 of the Laws of Maryland 1972, now codified as Section 2C of Article 31 of the Annotated Code of Maryland (2003 Replacement Volume), allows the county council of any charter county, in authorizing or in providing for the sale of municipal bonds, to provide by resolution that loans authorized to be incurred and bonds authorized to be sold by separate laws be consolidated for sale and issued, sold and delivered as a single issue of bonds.
2. The Director of Finance believes the County could save money by consolidating in a single issue certain bonds previously authorized in several County laws.

Action

The County Council for Montgomery County, Maryland, approves the following resolution:

Section 1. Under Section 2C of Article 31 of the Annotated Code of Maryland (2003 Replacement Volume), the County Council authorizes the County Executive to determine an amount of bonds authorized by the following County laws for the general purposes listed to be consolidated for sale and issued, sold, and delivered as a single issue of bonds designated "Montgomery County, Maryland Consolidated Public Improvement Bonds of 2007, Series A":

(a) Public buildings, parks and recreation and consolidated fire tax district - Chapter 22, Laws of Montgomery County 2000, Chapter 17, Laws of Montgomery County 2001, Chapter 21, Laws of Montgomery County 2002, Chapter 17, Laws of Montgomery County 2003, Chapter 18, Laws of Montgomery County 2004, Chapter 19, Laws of Montgomery County 2005, and a law enacted to authorize certain bonds, introduced as Bill No. ____.

(b) Public roads, streets, highways, sidewalks and storm drainage systems - Chapter 21, Laws of Montgomery County 2002, Chapter 17, Laws of Montgomery County 2003, Chapter 18, Laws of Montgomery County 2004, Chapter 19, Laws of Montgomery County 2005, and a law enacted to authorize certain bonds, introduced as Bill No. ____.

(c) Public schools and community college - Chapter 21, Laws of Montgomery County 2002, Chapter 17, Laws of Montgomery County 2003, Chapter 18, Laws of Montgomery County 2004, Chapter 19, Laws of Montgomery County 2005, and a law enacted to authorize certain bonds, introduced as Bill No. ____.

(d) Mass Transit - Chapter 17, Laws of Montgomery County 2001, Chapter 21, Laws of Montgomery County 2002, and Chapter 17, Laws of Montgomery County 2003.

Section 2. The Executive must determine all matters relating to the amounts of bonds to be sold, advertisement, sale, issuance, delivery and payment of the consolidated issue, such as the forms, dates and denominations of the consolidated bonds, the principal maturities, the method for determining the interest payable on the consolidated bonds, and provisions for the use of facsimile signatures or seals. At least one advertisement of the public sale of the consolidated bonds must appear in a newspaper of general circulation in Montgomery County at least 10 days before the sale.

Section 3. The Executive must apply the net proceeds of the sale of the consolidated bonds according to the respective laws authorizing the loans evidenced by the Bonds.

Section 4. This Resolution takes effect when the law introduced as Bill No. ____ takes effect.

This is a correct copy of Council action.

Linda M. Lauer
Clerk of the Council

Resolution No. _____
Introduced: _____
Adopted: _____

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: County Council

Subject: To amend Resolution No. 14-1307 of the County Council for Montgomery County, Maryland, adopted on June 11, 2002, to consolidate, with the bond issuing authorizations consolidated pursuant to Resolution No. 14-1307, as amended, additional authority to borrow money and incur indebtedness for certain general purposes as provided in Bill No. introduced on October 31, 2006; and, except as amended hereby, fully ratifying and confirming Resolution No. 14-1307, as amended.

Background

1. Resolution No. 14-1307, adopted by the County Council for Montgomery County, Maryland (the "County Council"), on June 11, 2002, authorized the County to issue, at one time or from time to time, bond anticipation notes (the "Notes") of Montgomery County, Maryland (the "County"), in the maximum aggregate principal amount of Two Hundred Fourteen Million Seven Hundred Ninety-Five Thousand Dollars (\$214,795,000). The Notes are to be issued pursuant to and in accordance with certain laws of Montgomery County, Maryland (the "Authorizing Legislation") and Section 12 of Article 31 of the Annotated Code of Maryland (2003 Replacement Volume) (the "Bond Anticipation Note Act"), for the public purposes and uses as set forth in the Authorizing Legislation and to pay the costs of issuing the Notes.
2. Chapter 21 of the Laws of Montgomery County of 2002 ("Chapter 21") became effective on October 29, 2002 and authorizes the County, at any time and from time to time, upon its full faith and credit, to borrow money and incur indebtedness in an aggregate amount of \$145,900,000 for the purpose of financing, in whole or in part, the cost of certain public facilities. On July 30, 2002, the County Council adopted Resolution No. 14-1374, which amended Resolution No. 14-1307 and consolidated the amounts of bond authority provided in Chapter 21 with the authority under Resolution No. 14-1307, so that the aggregate amount of such authority may be issued, sold and delivered from time to time as one or more series of bond anticipation notes. As a result of the

adoption of Resolution No. 14-1374, the amount of authority available under Resolution No. 14-1307, as amended, for the issuance of bond anticipation notes was increased to Three Hundred Sixty Million Six Hundred Ninety-Five Thousand Dollars (\$360,695,000).

3. On December 9, 2002, the County issued its \$75,000,000 Consolidated Commercial Paper Bond Anticipation Notes, 2002 Series. As a result of the issuance of these notes, the amount of authority available under Resolution No. 14-1307, as amended, for the issuance of bond anticipation notes was decreased to Two Hundred Eighty-Five Million Six Hundred Ninety-Five Thousand Dollars (\$285,695,000).
4. On June 11, 2003, the County issued its \$80,000,000 Consolidated Commercial Paper Bond Anticipation Notes, 2002 Series. As a result of the issuance of these notes, the amount of authority available under Resolution No. 14-1307, as amended, for the issuance of bond anticipation notes was decreased to Two Hundred Five Million Six Hundred Ninety-Five Thousand Dollars (\$205,695,000).
5. Chapter 17 of the Laws of Montgomery County of 2003 ("Chapter 17") became effective on November 6, 2003 and authorizes the County, at any time and from time to time, upon its full faith and credit, to borrow money and incur indebtedness in an aggregate amount of \$118,600,000 for the purpose of financing, in whole or in part, the cost of certain public facilities. On July 29, 2003, the County Council adopted Resolution No. 15-318, which amended Resolution No. 14-1307 and consolidated the amounts of bond authority provided in Chapter 17 and unused authority relating to the Consolidated Commercial Paper Bond Anticipation Notes, 1995 Series in the aggregate amount of \$146,408,000 with the authority under Resolution No. 14-1307, so that the aggregate amount of such authority may be issued, sold and delivered from time to time as one or more series of bond anticipation notes. As a result of the adoption of Resolution No. 15-318, the amount of authority available under Resolution No. 14-1307, as amended, for the issuance of bond anticipation notes was increased to Four Hundred Seventy Million Seven Hundred Three Thousand Dollars (\$470,703,000).
6. On December 1, 2003, the County issued its \$75,000,000 Consolidated Commercial Paper Bond Anticipation Notes, 2002 Series. As a result of the issuance of these notes, the amount of authority available under Resolution No. 14-1307, as amended, for the issuance of bond anticipation notes was decreased to Three Hundred Ninety-Five Million Seven Hundred Three Thousand Dollars (\$395,703,000).
7. On May 6, 2004, the County issued its \$115,000,000 Consolidated Commercial Paper Bond Anticipation Notes, 2002 Series. As a result of the issuance of these

notes, the amount of authority available under Resolution No. 14-1307, as amended, for the issuance of bond anticipation notes was decreased to Two Hundred Eighty Million Seven Hundred Three Thousand Dollars (\$280,703,000).

8. Chapter 18 of the Laws of Montgomery County of 2004 ("Chapter 18") became effective on November 7, 2004 and authorizes the County, at any time and from time to time, upon its full faith and credit, to borrow money and incur indebtedness in an aggregate amount of \$273,700,000 for the purpose of financing, in whole or in part, the cost of certain public facilities. On July 27, 2004, the County Council adopted Resolution No. 15-729, which amended Resolution No. 14-1307 and consolidated the amounts of bond authority provided in Chapter 18 with the authority under Resolution No. 14-1307, so that the aggregate amount of such authority may be issued, sold and delivered from time to time as one or more series of bond anticipation notes. As a result of the adoption of Resolution No. 15-729, the amount of authority available under Resolution No. 14-1307, as amended, for the issuance of bond anticipation notes was increased to Five Hundred Fifty-Four Million Four Hundred Three Thousand Dollars (\$554,403,000).
9. On December 7, 2004, the County issued its \$50,000,000 Consolidated Commercial Paper Bond Anticipation Notes, 2002 Series. As a result of the issuance of these notes, the amount of authority available under Resolution No. 14-1307, as amended, for the issuance of bond anticipation notes was decreased to Five Hundred Four Million Four Hundred Three Thousand Dollars (\$504,403,000).
10. On July 7, 2005, the County issued its \$150,000,000 Consolidated Commercial Paper Bond Anticipation Notes, 2002 Series. As a result of the issuance of these notes, the amount of authority available under Resolution No. 14-1307, as amended, for the issuance of bond anticipation notes was decreased to Three Hundred Fifty-Four Million Four Hundred Three Thousand Dollars (\$354,403,000).
11. Chapter 19 of the Laws of Montgomery County of 2005 ("Chapter 19") became effective on October 24, 2005 and authorizes the County, at any time and from time to time, upon its full faith and credit, to borrow money and incur indebtedness in an aggregate amount of \$228,700,000 for the purpose of financing, in whole or in part, the cost of certain public facilities. On July 26, 2005, the County Council adopted Resolution No. 15-1123, which amended Resolution No. 14-1307 and consolidated the amounts of bond authority provided in Chapter 19 with the authority under Resolution No. 14-1307, so that the aggregate amount of such authority may be issued, sold and delivered from time to time as one or more series of bond anticipation notes. As a result of the adoption of Resolution No. 15-1123, the amount of authority available under Resolution No. 14-1307, as amended, for the issuance of bond anticipation notes

was increased to Five Hundred Eighty-Three Million One Hundred Three Thousand Dollars (\$583,103,000).

12. On December 6, 2005, the County issued its \$50,000,000 Consolidated Commercial Paper Bond Anticipation Notes, 2002 Series. As a result of the issuance of these notes, the amount of authority available under Resolution No. 14-1307, as amended, for the issuance of bond anticipation notes was decreased to Five Hundred Thirty-Three Million One Hundred Three Thousand Dollars (\$533,103,000).
13. On April 11, 2006, the County issued its \$100,000,000 Consolidated Commercial Paper Bond Anticipation Notes, 2002 Series. As a result of the issuance of these notes, the amount of authority available under Resolution No. 14-1307, as amended, for the issuance of bond anticipation notes was decreased to Four Hundred Thirty-Three Million One Hundred Three Thousand Dollars (\$433,103,000).
14. On October 31, 2006, the County Council introduced Bill No. __ (the "2006 Bond Bill") to authorize the County to borrow money in an aggregate amount of \$315,800,000 for the purposes of financing the cost of certain public facilities.
15. The County wishes to consolidate the amounts of authority provided in the 2006 Bond Bill with the authority remaining under Resolution No. 14-1307, so that the aggregate amount of all the authority may be consolidated for sale and issued, sold and delivered from time to time as one or more series of bond anticipation notes.

Action

The County Council for Montgomery County, Maryland approves the following resolution:

Section 1. Resolution No. 14-1307 is hereby amended as follows:

1. Section 1, paragraph (f) is deleted in its entirety and the following is substituted in its place: " 'Notes' means the \$1,443,903,000 Montgomery County, Maryland Consolidated Commercial Paper Bond Anticipation Notes, 2002 Series, authorized to be issued and reissued by this Resolution."

2. Section 2 is amended by deleting "One Billion One Hundred Seventy Three Million One Hundred Three Thousand Dollars (\$1,173,103,000)" in the seventh and eighth lines thereof and inserting "One Billion Four Hundred Forty Three Million Nine Hundred Three Thousand Dollars (\$1,443,903,000)" in its place.

3. Section 8, paragraph (a) is amended by inserting "and Bill No. __, introduced on October 31, 2006 [Chapter __ of the Laws of Montgomery County of 2006]" immediately after "Chapter 19 of the Laws of the Montgomery County of 2005".

4. Section 8, paragraph (b) is amended by inserting "and Bill No. __, introduced on October 31, 2006 [Chapter __ of the Laws of Montgomery County of 2006]" immediately after "Chapter 19 of the Laws of the Montgomery County of 2005".

5. Section 8, paragraph (c) is amended by inserting "and Bill No. __, introduced on October 31, 2006 [Chapter __ of the Laws of Montgomery County of 2006]" immediately after "Chapter 19 of the Laws of the Montgomery County of 2005".

Section 2. Except as specifically amended by this Resolution, Resolution No. 14-1307 is hereby fully ratified and confirmed.

Section 3. This Resolution takes effect when the law introduced as Bill No. __ takes effect.

This is a correct copy of Council action.

Linda M. Lauer
Clerk of the Council